THE CITY OF SAN DIEGO

MANAGER'S REPORT

DATE ISSUED: July 25, 2003 REPORT NO. 03-166

ATTENTION: Natural Resources and Culture Committee
Agenda of July 30, 2003

SUBJECT: Design-Build Contract Procurement Process

REFERENCE: Manager's Report 99-016
Manager's Report 03-036. Issued February 26, 2003

SUMMARY:

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE COMMITTEE OR THE CITY COUNCIL.

BACKGROUND:

At the March 5, 2003 Natural Resources and Cultural Commission Meeting, the commission discussed the Design-Build process and asked for additional information as follows:

- What are the appropriate project characteristics for a successful design-build (D-B) project?
- What is the average time and cost savings for D-B versus Design-Bid-Build (D-B-B)?
- How are other public agencies using design-build?
- What is the City doing as compared to other public agencies?
- How are other public agencies encouraging diversity in the D-B process?
- How is the City encouraging diversity in the D-B process?

DISCUSSION

Not all projects readily lend themselves to utilizing the design-build. What are the appropriate project characteristics for a successful design-build (D-B) project? Building, highway, pump station and treatment plants are better candidates for design build., facilities with simple, repetitive design considerations, as well as projects that have flexibility in design and construction effort, a well defined scope and performance requirements and an established budget or tight budget. Other characteristics for projects more suited for design-build are ones having no complicated issues (utility conflicts, right-of-way acquisition, wetland and environmental concerns, etc.), no major public interest involving a significant design effort with a potential to save cost and time in the design. Also, projects that are less controversial in nature, have no unresolved political issues and where the shear magnitude is too complex to be managed through multiple contracts have a better chance of success. It should be noted that the owner has limited design flexibility after contract is awarded. Finally, because design-build is an accelerated project delivery system, the project much be adequately staffed by the owner, and the permitting process streamlined.

Several benefits can result from utilizing the design-build process versus the traditional design-bid-build process, on certain projects. These benefits include contracting based on "best value," performing an early budget analysis, having a single point of contact for design and construction, establishing a Guaranteed Maximum Price (GMP), better coordinated project delivery, and reducing the potential for litigation. Many of these benefits have been documented by various agencies, and the results are directly related to the question:

What is the average time and cost savings for Design-Build (D-B) versus Design-Bid-Build (D-B-B)?

Because design-build is relatively new for use by municipal governments, information was gathered from academic and industry-based sources. The University of Colorado and the Pennsylvania State University conducted surveys of public entities to gather information pertaining to projects that were best suited for design-build, owners' goals and measurement of success. In general, when design-build is used on the correct projects there are 5 to 10% potential total savings and possibly up to 11% quicker project delivery between the design-build and design-bid-build.

The conclusion of both studies indicated that reduced schedule and change orders were the owners' priorities and that owners judge project success by budget variation, schedule variation and conformity to expectations/scope. Design flexibility promotes such savings. However, the owner must include specific performance requirements to ensure a quality product.

In California, How are other public agencies using design-build? The City of San Jose, is using design-build for projects that require special expertise that is not available in-house. The City of San Francisco occasionally uses design-build as a procurement process and have reaped the benefit of cost and time savings with a quality end product. They have mainly done so, on jails and they attribute their success to adequate owner staffing and clear project scope. The City of Los Angeles is not using the process at all, because of past adverse experience. The City of Sacramento has a similar view and rarely utilizes the design-build process. According to these

two agencies, a major reason for the lack of success on their design-build projects was that in some instances the bridging documents were completed by in-house architects that had little experience with design-build. In many cases, the owner performance requirements were not adequately articulated and/or the projects were not good candidates for design-build, as they had many unknowns. (i.e. building rehabilitation projects).

To address the question concerning What is the City doing as compared to other public agencies?, the Engineering and Capital Projects Department has established a design-build committee comprised of representatives from each of the Department's Divisions, EOCP and City Attorney's office. The first major focus of the committee was to identify the respective roles of project management, field personnel, Equal Opportunity Contracting (EOCP) and contract administrative staff. In the design-build process there tends to be overlap, especially between project management and construction management roles. Because design-build is relatively new to the City, the committee created a flow chart outlining each phase of the process which will assist in staff training.

Another major focus of the committee has been updating the Request for Qualifications (RFQ) and Request for Proposal (RFP) boilerplate documents. The revised documents give clear instructions to Design-Build teams concerning the process, the project scope, anticipated participation, the required submittals and the evaluation process.

Finally, the committee revised the scoring system for the RFQ and RFP phases to give equitably weighted points to the various technical qualifications, contractor references and EOCP requirements of the Design-Build's Statement of Qualifications (SOQ). The contractor is required to be prequalified with the City in order to be eligible to compete for the project. Then the team may respond to the RFQ and submit a general SOQ outlining their company and staff. The submittal will be evaluated in various areas and three to five teams will be short-listed, and may continue to the RFP phase. The RFP phase involves three steps. The teams will be required to submit a project specific proposal package, give an oral presentation (interview), and submit a Gross Maximum Price (GMP) proposal. The proposal will be adjusted according to the teams total points earned. The successful team will then enter into contract negotiations with the City.

Research from Design Build Institute of America, and the two universities indicates that this two-step selection process is more successful in promoting "best value" rather than exclusively low bid or contractor prequalification only.

In order to address the question, How are other agencies encouraging diversity in the Design-Build process?, the City contacted several large California Cities for comparison purposes. The City of San Jose no longer requires/tracks DBE, MBE and WBE participation. The City of Sacramento uses the Emerging Small Disadvantaged Business (ESDB) program, with a goal for the design build team of 20%. The City of San Francisco use MBE and WBE, but, not DBE and the participation ranges from 15% to 25%, similar to Design-Bid-Build. None of these cities do anything differently from design-bid-build, to encourage participation.

In addition, a 2002 Survey by SAIC for Illinois DOT on the Current Use of Design-Build

indicated that several state departments of transportation were surveyed, including, MD, VA, DE, WA, CO, PA, GA, NC, NJ, FL and SC . Some states are not listing requirements pertaining to a diverse workforce, while others do not permit a prime contractor to complete 100 percent of the contract and list goals between 10 and 15 percent, in the RFP only. Also, prime contractor must be prequalified.

How is the City encouraging diversity in the Design-Build process? The Engineering & Capital Projects Department in conjunction with EOCP have meet several times with Latino Builders Association, Black Contractors Association, AGC and others to solicit input and to build consensus for expected participation levels. Based on prior experience and feedback received from our meetings City has developed participation level of 20% to 30% for building type projects. With that in mind, we have developed a rating system within the evaluation criteria that evaluates the design-build team based on their past participation level, and their goals for the subject project. Teams will be required to submit Work force Reports and Subcontractor and Subconsultant Lists on past projects and describe community involvement and past outreach efforts during the RFQ process.

In the RFP phase, the short-listed teams will be required to submit participation information on the specific project for which they are competing. This participation information will be used for this portion of the evaluation. EOCP staff also participates on the interview selection panel and attends all presubmittal meetings.

The Engineering Department has been working diligently to streamline the design-build process, and has been working closely with EOCP and other City departments to promote better participation when utilizing design build in the City of San Diego.

Respectfully submitted,

Afshin Oskoui
Deputy Director
Engineering & Capital Projects Department

Approved: George I. Loveland
Senior Deputy City Manager